



The State of Utah

Department of
Natural Resources

Division of
Oil, Gas & Mining

ROBERT L. MORGAN
Executive Director

LOWELL P. BRAXTON
Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

Representatives Present During the Inspection:

Company Vicky S. Miller Environmental Specialist

OGM Pete Hess Environmental Scientist III

Inspection Report

Permit Number:	C0070039
Inspection Type:	COMPLETE
Inspection Date:	Wednesday, August 25, 2004
Start Date/Time:	8/25/2004 9:00:00 AM
End Date/Time:	8/25/2004 3:30:00 PM
Last Inspection:	Thursday, July 29, 2004

Inspector: Pete Hess, Environmental Scientist III

Weather: Cool, 60's F. Partly cloudy.

InspectionID Report Number: 382

Accepted by: whedberg
9/22/2004

Permittee: **CANYON FUEL COMPANY LLC**

Operator: **CANYON FUEL COMPANY LLC**

Site: **DUGOUT CANYON MINE**

Address: **PO BOX 1029, WELLINGTON UT 84542**

County: **CARBON**

Permit Type: **PERMANENT COAL PROGRAM**

Permit Status: **ACTIVE**

Current Acreages

7,083.71	Total Permitted
51.11	Total Disturbed
	Phase I
	Phase II
	Phase III

Mineral Ownership

- ☒ Federal
☒ State
☐ County
☒ Fee
☐ Other

Types of Operations

- ☒ Underground
☐ Surface
☐ Loadout
☐ Processing
☐ Reprocessing

Report summary and status for pending enforcement actions, permit conditions, Division Orders, and amendments:

The permittee continues to submit quarterly water monitoring data to the Division's electronic web site, meeting the requirement listed in Attachment "A", Special Permit Conditions, of the current State permit.

The permittee has recently completed a longwall move, and has re-initiated secondary extraction in the number two longwall panel in the Gilson seam.

Inspector's Signature

Pete Hess, Environmental Scientist III

Inspector ID Number: 46

Date Monday, August 30, 2004

Note: This inspection report does not constitute an affidavit of compliance with the regulatory program of the Division of Oil, Gas and Mining.

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Inspection Continuation Sheet

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REVIEW OF PERMIT, PERFORMANCE STANDARDS PERMIT CONDITION REQUIREMENTS

1. Substantiate the elements on this inspection by checking the appropriate performance standard.
 - a. For COMPLETE inspections provide narrative justification for any elements not fully inspected unless element is not appropriate to the site, in which case check Not Applicable.
 - b. For PARTIAL inspections check only the elements evaluated.
2. Document any noncompliance situation by reference the NOV issued at the appropriate performance standard listed below.
3. Reference any narratives written in conjunction with this inspection at the appropriate performance standard listed below.
4. Provide a brief status report for all pending enforcement actions, permit conditions, Divison Orders, and amendments.

	Evaluated	Not Applicable	Comment	Enforcement
1. Permits, Change, Transfer, Renewal, Sale	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. Signs and Markers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. Topsoil	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.a Hydrologic Balance: Diversions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.b Hydrologic Balance: Sediment Ponds and Impoundments	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.c Hydrologic Balance: Other Sediment Control Measures	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.d Hydrologic Balance: Water Monitoring	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.e Hydrologic Balance: Effluent Limitations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
5. Explosives	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Disposal of Excess Spoil, Fills, Benches	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Coal Mine Waste, Refuse Piles, Impoundments	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8. Noncoal Waste	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Protection of Fish, Wildlife and Related Environmental Issues	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10. Slides and Other Damage	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Contemporaneous Reclamation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Backfilling And Grading	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Revegetation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Subsidence Control	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
15. Cessation of Operations	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.a Roads: Construction, Maintenance, Surfacing	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.b Roads: Drainage Controls	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
17. Other Transportation Facilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. Support Facilities, Utility Installations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
19. AVS Check	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
20. Air Quality Permit	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21. Bonding and Insurance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
22. Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1. Permits, Change, Transfer, Renewal, Sale

The permittee has a "DRAFT" proposed UPDES permit in hand, which upon DEQ/DWQ approval, will allow them to discharge Gilson mine water in a compliant manner, relative to TDS and total iron requirements. The permittee is required to have comments back to DWQ on August 30, 2004. The current OGM permit for the site remains in effect until March 16, 2008; a midterm review of that permit should occur during March, 2006. A new air quality approval order was issued the permittee on July 9, 2003. This permit allows for an annual coal production volume of 5 MTPY.

2. Signs and Markers

The sites for the methane degasification wells designated as G-6 and G-5 (DOGM conditional approval received July 16, 2004) were inspected. Although the well site disturbances were delineated by "T" post barb wire fences, the permittee had not installed the required permittee identification signs. Topsoil storage signs were also needed at both well locations. Ms. Miller indicated the signs would be installed the next day that workers were sent to the well sites.

3. Topsoil

The topsoil piles at degasification wells G-6 and G-5 were surrounded by substantial retention berms. Soil volume from the smaller pile at site G-6 will be utilized in the near future to reclaim all of the site, with the exception of a small amount of access road necessary to inspect the degasification pump. Some soil volume will also be recovered from the larger of the two piles at G-6.

4.b Hydrologic Balance: Sediment Ponds and Impoundments

The mine site sediment pond was cleaned for the second time by Nielson Construction Company during the period of June 30 through July 8, 2004. Mr. Dave Spillman, P.E., and Manager of Technical Services for the permittee performed the third quarter of 2004 inspection of the cleaned pond on July 12, 2004. As noted in the July inspection report, it was necessary for the permittee to certify that inspection in order to meet the requirements of R645-301-514.312. The permittee completed this requirement on August 24, 2004; this will be the annual impoundment and 3rd quarter inspection for this impoundment. The permittee needs to forward a copy of the pond re-certification to the Division SL office. As noted this day, the permittee still needs to conduct the third quarter 2004 impoundment inspection for the waste rock pile pond.

4.d Hydrologic Balance: Water Monitoring

Ms. Miller indicated that the permittee's second quarter of 2004 water monitoring information is ready to be loaded into the "pipeline" for uploading to the Division web site. Relative to third quarter water monitoring, five sites remain to be checked / sampled. Discharge monitoring reports for the months of May, June and July, 2004 were reviewed for compliance and timely submittal. UPDES point 001A had three exceedances for total dissolved solids (one per month). It now appears that the DWQ will allow the permittee to develop a mitigation project in order to continue to discharge this water in a compliant manner. As noted above, Canyon Fuel Company has a draft UPDES permit in hand, as part of the special permit issuance process. UPDES outfall 002A had minor flows during May and June; outfalls 003A and 004A did not report any flows during the three month period. All reports were submitted in a timely fashion.

4.e Hydrologic Balance: Effluent Limitations

The mine water being discharged from the east and west sides of the old Knight Mine (located in the Gilson seam) is high in TDS on one side of that Mine, and high in total iron on the other. MSHA requires the permittee to discharge this water to eliminate any inundation potential and hazard to the employees working underground. In order to meet the requirements of water discharge into the surface drainages of the United States, it has been necessary for the permittee to apply for a special permit through the Utah DEQ/DWQ. As noted elsewhere within this report, a salt mitigation project is being anticipated in order to allow the permittee to continue to discharge this water in a compliant manner.

7. Coal Mine Waste, Refuse Piles, Impoundments

Mr. Dave Spillman conducted the second quarter waste rock pile inspection on June 17, 2004. There were no signs of structural weakness or other hazards noted. The professional engineer's certification of this inspection was performed by the permittee's Manager of Technical Services on July 23, 2004.

9. Protection of Fish, Wildlife and Related Environmental Issues

The permittee's spill prevention control and counter measure plan received its current professional engineer's certification on November 26, 2003. In order to obtain DWR's approval to drill the degasification wells during the migration period of the saw whet owl, the permittee, with DWR's assistance installed 46 nest boxes in specific locations within the proposed SITLA lease. This mitigation will be effective through two additional years, 2005 and 2006. The boxes will be used by the saw whet owls, as well as kestrels, and other wildlife species.

14. Subsidence Control

The permittee has implemented the leaving of 490 foot barrier pillars between longwall panels to minimize ground control problems and subsidence in the Gilson seam. Although this increases mining costs relative to gate road development, safety and production are enhanced during secondary extraction. This method of ground control has proven to be effective at the Centennial Project, operated by Andalex Resources, Inc.

16.b Roads: Drainage Controls

As noted during today's inspection, degasification well site G-5 needed to have a water bar installed at the pad / access road interface in order to retain intercepted runoff within the pad. Also, straw bales needed to be installed on the down gradient side of the road dip just outby the pad to treat any road runoff reporting to the minor drainage at the G-5 location. Ms. Miller addressed these problems immediately following the inspection of the G-5 site.

18. Support Facilities, Utility Installations

The degasification pump at well site G-6 was noted as being set up, but not running during today's inspection. Ms. Miller indicated that the longwall face was very close if not passing beneath the G-6 location as the site was being inspected. As of today's inspection, the drilling of degas well G-5 had yet to be initiated. The rig had been set.

19. AVS Check

ARCH Coal International has recently purchased that portion of the Company which was previously owned by Itochu Coal, International. It is not known if all of the details of the purchase have been completed. As such, the update of the Companies legal and financial information is pending.

21. Bonding and Insurance

The permittee's current general liability insurance coverage term extends from July 31, 2004 through July 31, 2005. A general aggregate coverage amount of \$500,000 is in place, with \$300,000 worth of coverage being provided for each occurrence. Coverage for damages incurred from the use of explosives is included. The Federal Insurance Company is providing all coverage via policy number 3711-00-10. The reclamation agreement for the Dugout Canyon site was last updated on March 18, 2004. The bond amount for reclamation purposes was reduced from \$3,682,000 to \$2,400,000 on April 7, 2004 via DOGM review / approval.